

**1998 MI-1041****MICHIGAN FIDUCIARY INCOME TAX RETURN**

This form is issued under authority of P.A. 281 of 1967. Filing is mandatory.  
Penalty and interest apply for failure to file (see instructions).

a.	b.	c.
d.		
e.		

Check appropriate box.

- ☐ This is an original return  
☐ This is an amended return

► 1. For 1998, or taxable year beginning \_\_\_\_\_, 1998, ending \_\_\_\_\_ 19 \_\_\_\_\_.

<b>PART 1 IDENTIFICATION</b>		<b>(Please type or print)</b>	
► 2. Name of Estate or Trust		► 4. Federal Employer Identification Number (FEIN)	
► 3. Name, Address and Title of Fiduciary		<b>Estate Information</b>	
		5a. County	
		5b. Probate File No.	
		5c. Date of Death	
6. FILING STATUS		<b>Trust Information</b>	
<input type="checkbox"/> 6a. Resident Estate <input type="checkbox"/> 6b. Nonresident Estate		<input type="checkbox"/> 6c. Resident Trust <input type="checkbox"/> 6d. Nonresident Trust	
		7. Date Trust Was Created	
<b>PART 2 INCOME AND ADJUSTMENTS</b>			
8. Federal taxable income of fiduciary (from U.S. 1041, line 22)		8. _____ .00	
8a. Federal taxable income of ESBT (from Sec. 641(d) worksheet)		8a. _____ .00	
8b. Total. Add lines 8 and 8a		8b. _____ .00	
<b>Please attach a copy of your U.S. 1041 and supporting schedules</b>			
9. Fiduciary's share of Michigan net adjustments (from Schedule 3, line 43, column D, or Schedule 1, line 40)		9. _____ .00	
10. Total. Combine lines 8b and 9		10. _____ .00	
11. Capital gain/loss adjustment for resident estates or trusts (from Schedule MI-1041D)		11. _____ .00	
12. Taxable income. Combine lines 10 and 11 or enter amount from Schedule 4, line 74		12. _____ .00	
13. Tax. Multiply line 12 by 4.4% (.044)		13. _____ .00	
<b>PART 3 CREDITS AND PAYMENTS</b>			
		Amount	Credit
14. Income tax paid to Michigan cities		14a. _____ .00	14b. _____ .00
15. Public Contributions		15a. _____ .00	15b. _____ .00
16. Community Foundations. Enter code, see pg. 8. <input type="text"/>		16a. _____ .00	16b. _____ .00
17. Homeless/Food Bank Cash Contributions		17a. _____ .00	17b. _____ .00
18. Income tax paid to another state (attach copy of return)		18a. _____ .00	18b. _____ .00
19. Total nonrefundable credits (add 14b, 15b, 16b, 17b and 18b)		19. _____ .00	
20. Income tax. Subtract line 19 from line 13		20. _____ .00	
21. Income tax withheld (attach state copy of W-2)		21. _____ .00	
22. Michigan estimated tax and extension payments		22. _____ .00	
23. 1997 overpayments credited to 1998		23. _____ .00	
24. Add lines 21, 22 and 23		24. _____ .00	
<b>PART 4 BALANCE DUE OR REFUND</b>			
25. If line 24 is less than line 20, enter TAX DUE. Check if MI-2210 is attached. a. <input type="checkbox"/>			
Include interest _____ and penalty _____ if applicable (see inst., p. 5)		► 25. _____ .00	
26. If line 24 is greater than line 20, enter overpayment		26. _____ .00	
27. Amount of line 26 to be credited to your 1999 ESTIMATED TAX		► 27. _____ .00	
28. Subtract line 27 from line 26. This is your REFUND		► 28. _____ .00	

**SCHEDULE 1 NET MICHIGAN ADJUSTMENT FOR RESIDENT ESTATES AND TRUSTS****Additions**

29. Gross interest and dividends from obligations issued by states other than Michigan or their political subdivisions .....	29. ....	.00
30. Taxes imposed on or measured by income deducted on U.S. 1041 .....	30. ....	.00
31. Expenses included in U.S. 1041 attributable to income from sources outside of Michigan .....	31. ....	.00
32. Expenses and interest incurred in production of income from U.S. government obligations on U.S. 1041 .....	32. ....	.00
33. Other (attach schedule) .....	33. ....	.00
34. Total additions. Add lines 29 through 33 .....	34. ....	.00

**Subtractions**

35. Income from U.S. government bonds and other obligations to the extent included in federal taxable income .....	35. ....	.00
36. Income attributable to another state. Explain type and source: .....	36. ....	.00
37. Expenses related to obligations of other states not deducted on U.S. 1041 .....	37. ....	.00
38. Other (attach schedule) .....	38. ....	.00
39. Total subtractions. Add lines 35 through 38 .....	39. ....	.00
40. Net Michigan adjustment. Subtract line 39 from line 34 and enter here .....	40. ....	.00

If no distribution to beneficiaries, carry this amount to page 1, Part 2, line 9.  
Otherwise complete Schedule 3.

**SCHEDULE 2 NAME AND ADDRESSES OF BENEFICIARIES. Complete if any income is distributed.**

Name of each beneficiary.	Address of each beneficiary. If mailing address differs from home address, give both.	Social Security number of each beneficiary.
41a		
41b		
41c		
41d		

**SIGNATURES AND DECLARATIONS**

<i>I declare, under penalty of perjury, that the information in this return and attachments is true and complete to the best of my knowledge.</i>		<i>I declare, under penalty of perjury, that this return is based on all information of which I have knowledge.</i>  Preparer's Signature, Address, Phone and ID No.
<input type="checkbox"/> <i>I authorize Treasury to discuss this claim and attachments with the preparer.</i> <input type="checkbox"/> <i>Do not discuss this claim with the preparer.</i>		
Signature of Fiduciary or Officer Representing Fiduciary	Date	

**This return is due April 15, 1999 or on the 15th day of the fourth month after the close of your tax year.**

**Mailing:** Make check payable to "State of Michigan." Write the estate's or trust's FEIN and "1998 MI-1041" on the front of the check. Mail return with payment (if applicable) to: Michigan Department of Treasury, Lansing, Michigan 48922.

**EXPLANATION of CHANGES (If you checked the amended box on the front, please complete this section)**

Explain changes to income, deductions and credits. Show computations in detail and attach a copy of the amended U.S. 1041 and all supporting schedules.

**SCHEDULE 3 BENEFICIARIES' AND FIDUCIARY'S SHARE OF NET MICHIGAN ADJUSTMENTS FOR  
RESIDENT ESTATES OR TRUSTS**

Column A  Beneficiary Identification from Schedule 2	Column B Federal Distributable Net Income		Column C  Percent of Column B	Column D Allocation of Net Michigan Adjustment (Multiply amount on line 40 by percent in Column C.)
	Type of Income (Dividend, Interest, Rent, Etc.; Location of Property, Etc.)	Amount		
42. Beneficiaries ( )			%	
( )			%	
( )			%	
( )			%	
43. Fiduciary's Share			%	
44. Total			100%	

Schedule 4 on page 4 must be completed for nonresident estates and trusts.

Schedule 5 on page 4 must be completed for resident or nonresident estates and trusts if capital gains/losses were distributed to beneficiaries and a Michigan *Adjustments of Capital Gains and Losses* (form MI-1041D) was filed.

*Continued on page 4.*

SCHEDULE 4    COMPUTATION OF MICHIGAN TAXABLE INCOME FOR NON-RESIDENT ESTATES OR TRUSTS			
Income Allocation: Attach all applicable federal schedules (see instructions on page 7).	Column A Total	Column B Michigan	Column C Non-Michigan
<b>Income</b> (from U.S. 1041)			
45. Interest income .....	45.		
46. Dividends .....	46.		
47. Business income/loss .....	47.		
48. Capital gain/loss (complete form MI-1041D) .....	48.		
49. Rents, royalties, partnerships, other estates and trusts, etc. ....	49.		
50. Farm income/loss .....	50.		
51. Ordinary gain/loss from U.S. 4797 (see instructions) .....	51.		
52. Other income (state nature of income) .....	52.		
53. <b>Total income</b> (add lines 45 through 52) .....	53.		
<b>Deductions</b> (from U.S. 1041)			
54. Interest .....	54.		
55. Taxes .....	55.		
56. Fiduciary fees .....	56.		
57. Charitable deduction .....	57.		
58. Attorney, accountant, and return preparer fees .....	58.		
59. a. Other deductions NOT subject to 2% floor .....	59a.		
b. Allowable misc. itemized deductions subject to 2% floor .....	59b.		
60. <b>Total</b> (add lines 54 through 59b) .....	60.		
61. Adjusted total income/loss (subtract line 60 from 53) .....	61.		
62. Income distribution deduction .....	62.		
63. Estate tax deduction (including certain generation-skipping taxes) ..	63.		
64. Exemption .....	64.		
65. <b>Total deductions</b> (add lines 62 through 64) .....	65.		
66. Total income of fiduciary (subtract line 65 from line 61) .....	66.		
67. If line 48 is a loss, enter amounts here as positive figures .....	67.		
68. If line 48 is a gain, enter amounts here as negative figures .....	68.		
69. Income of fiduciary excluding capital gain/loss Combine lines 66 through 68 .....	69.		
70. Michigan income (excluding capital gains and losses) from line 69, column B .....	70.		.00
71. Taxes imposed on or measured by Michigan income deducted on U.S. 1041 .....	71.		.00
72. <b>Total</b> (add lines 70 and 71) .....	72.		.00
73. Fiduciary's share of <b>Michigan</b> gain/loss from MI-1041D (see instructions) .....	73.		.00
74. Income taxable to fiduciary. Combine lines 72 and 73. Enter here and on page 1, line 12 .....	74.		.00

SCHEDULE 5    CAPITAL GAIN/LOSS DISTRIBUTED TO BENEFICIARIES WHEN FORM MI-1041D IS FILED		
Column A Beneficiary Identification from Schedule 2	Column B Federal Gain or Loss	Column C Michigan Gain or Loss
75. Beneficiaries ( )		
( )		
( )		
( )		
76. Total		

# State of Michigan 1998



## Instructions for Filing Michigan Fiduciary Income Tax Return MI-1041

**For Help Call 1-800-487-7000**

This booklet is a guide to help you complete your return; it does not take the place of the law. If you have specific questions, call this number between 8 a.m. and 5 p.m. (Monday through Friday).

**Deaf, hearing or speech impaired persons** using a Text Telephone for the Deaf (TTY) should call 517-373-9419 for help. This number is reserved for persons using a TTY. Other persons calling this number will be directed to call the toll-free phone number.

### **Where to Get Forms 1-800-FORM-2-ME (367-6263)**

This number is available 24 hours a day. Tell our computerized forms message system what forms you need and we will mail your forms.

To have 1998 Michigan tax forms sent to your fax machine, contact our fax-on-demand service at (517) 241-8730 using your fax telephone. The fax service is available 24 hours a day, 365 days a year.

Web Site. Visit our Treasury web site on the Internet at:  
**[www.treas.state.mi.us](http://www.treas.state.mi.us)**

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## Who Must File

You must file an MI-1041 and pay the tax due if you are the fiduciary for an estate or trust that was required to file a U.S. 1041 or that had income taxable to Michigan that was not taxable on the U.S. 1041. If no tax is due, you must file an informational MI-1041.

The only exceptions are:

1. Tax exempt organizations.

**NOTE:** Estates and trusts with any charitable purpose or charitable beneficiaries, should contact the Department of Attorney General, Charitable Trust Section regarding the filing requirements.

2. Common trust funds. The trustee must notify the beneficiaries of their portion of Michigan income from the fund and of the gains and losses available to each under Section 271.
3. A nonresident estate or trust that has income from Michigan sources less than the federal exemption deduction. The deductions are \$600 (for estates), \$300 (for trusts currently distributing income), and \$100 for all other trusts. See Schedule 4, Income Allocation on page 6.
4. A grantor trust. When the grantor is a trustee and is treated as the owner of the trust's assets (Internal Revenue Code (IRC) sections 671 - 678), an MI-1041 is not required. Report the trust's income, deductions and credits on the grantor's *Michigan Income Tax Return* (form MI-1040).
5. Michigan cannot impose an income tax on income accumulated by a trust that became irrevocable by the death of the settlor (while a Michigan resident) when all of the following conditions are met:
  - the trustee is not a Michigan resident;
  - the assets of the trust are neither held, located nor administered in Michigan; and
  - the beneficiaries are all nonresidents.

## When To File

Fiduciary returns are due on or before April 15, 1999 or on the 15th day of the fourth month after the close of your tax year. Mail returns to:

## GENERAL INFORMATION

Michigan Department of Treasury  
Lansing, MI 48922.

### Penalty and Interest

If the fiduciary payment is late, Treasury will add a penalty of 5 percent of the tax due every month until the return is filed and the tax is paid. Maximum late penalty is 50 percent of the balance of tax due. The minimum late penalty for the first month is \$10. If the fiduciary return is paid late, add penalty and interest to the amount due. The interest rate through June 30, 1999 is 9.5 percent. For interest rates after June 30, 1999, call 1-800-487-7000.

### Rounding Off

Round down amounts less than 50 cents. Round up amounts of 50 cents through 99 cents.

### Capital Gains/Losses

*Adjustment of Capital Gains and Losses* (form MI-1041D) must be used for the following:

- capital gains election under Section 271 for property acquired before October 1, 1967;
- sale or exchange of U.S. obligations which cannot be taxed by Michigan; or
- sale or exchange of property subject to allocation or apportionment provisions.

MI-1041 Schedule 5, lines 75 and 76, must be completed if any capital gain/loss is distributed to beneficiaries and form MI-1041D is filed.

### Tax Credits An Estate or Trust Can Claim

An estate or trust may be able to claim credits for each of the following:

- City Income Tax Credit
- Public Contribution Credit
- Community Foundations Credit
- Homeless/Food Bank Credit
- Credit for Income Taxes Imposed by Government Units Outside Michigan.

Instructions begin on page 3.

### Resident and Nonresident Estates and Trusts

If a decedent was domiciled in Michigan at the time of death, the estate is a **resident estate**.

If a decedent was not domiciled in Michigan at the time of death, the estate is a **nonresident estate**. A trust created by the decedent's will is a **nonresident trust**.

If a trust was created by a grantor domiciled in Michigan at the time the trust becomes irrevocable, the trust is a **resident trust**. If the grantor was not domiciled in Michigan at the time the trust became irrevocable, the trust is a **nonresident trust**.

### Amending

To amend the MI-1041, check the box at the top of the MI-1041 form and explain the reason for amending on page 3. Attach a copy of the amended U.S. 1041 with all supporting schedules.

**U.S. 1041 changes.** Michigan Department of Treasury must be notified of any changes to the estate's or trust's U.S. 1041, if the items changed affect the Michigan liability. File an amended return within 120 days of the change and include payment of any tax due. If too much tax was paid, file an amended return to request a refund.

## SPECIAL SITUATIONS

### Extensions

An extension of time to file may be requested by sending Treasury payment of the estimated tax liability with a copy of the approved federal extension. Treasury will extend the due date to the new federal due date. If you do not have a federal extension, file an *Application for Extension of Time to File Michigan Tax Returns* with the payment. The extension is automatic. Treasury will not notify you of approval.

**An extension of time to file is not an extension of time to pay.** If the tax due is underestimated and not enough is paid with the extension request, interest is due on the unpaid amount. Compute interest from April 15 (or the due date of the return) to the date the tax is paid. Interest is 1 percent above prime rate and is adjusted on July 1 and January 1.

Treasury may charge a penalty of 10 percent or more if the balance due is not paid with the extension request.

When the MI-1041 is filed, include the amount of tax that was paid with the extension request on line 22. Attach a copy of the federal or state extension.

## Closing An Estate

Before an estate can be closed, all taxes due must be paid on the liability of the estate and of the decedent.

### Estimated Tax Payments

In general, a fiduciary for an estate or trust must file quarterly estimated payments if the estate or trust is expected to owe more than \$500 with the 1999 annual return. This is after crediting amounts paid through withholding and all other credits.

If the estate or trust owes more than \$500, estimates may not have to be made if the estate or trust expects the 1998 withholding to be at least:

- 90% of the total 1999 tax; or
- 100% of the total 1998 tax.
- 105% of the total 1998 tax if the estate or trust's adjusted gross income for 1998 is more than \$150,000. To figure the estate or trust's AGI, see the instructions for line 15b of the U.S. 1041

Total 1998 tax is the amount on the 1998 MI-1041, line 20.

If an estate owes more than \$500, estimates do not have to be made if the decedent died within the last two years.

If a fiduciary fails to make required estimated payments, pays late or underpays, Treasury may charge penalty and interest. Penalty is 25 percent of the tax due for failing to file estimated payments, or 10 percent for underpaying estimated payments. Interest is 1 percent above the prime rate and is computed monthly. The rate is adjusted on July 1 and January 1.

Beginning with tax year 1998 financial institutions that submit estimate payments through the Federal Tax Deposit System on magnetic tape and act as a fiduciary for 200 or more trusts shall submit Michigan estimate payments on magnetic tape. Institutions acting as fiduciary for more than 49 and fewer than 200 trusts may make an irrevocable agreement to file magnetically.

If estimated payments are necessary, request the 1999 *Michigan Estimated Income Tax for Fiduciaries* (form MI-1041ES). Filing instructions are with the form.

## Farmland Preservation Credits

There is no provision for a farmland credit on the fiduciary return. If you wish to claim a credit, request the *Michigan Single Business Tax Farmland Preservation Credit* (form C-8022).

### Bankruptcy Estates

Every trustee (or debtor-in-possession) for an individual's bankruptcy estate under Chapter 7 or 11, of the U.S. Code Title 11, who must file a U.S. 1041 must also file an MI-1041. Use form MI-1041 only as a transmittal for form MI-1040. In the top margin of the MI-1040, write "Attachment to MI-1041. Do not detach." Attach the MI-1040 behind the MI-1041. Complete only the identification area of the MI-1041. Enter the name of the debtor on line 2 as: "John Smith, Public Bankruptcy Estate." Enter the name of the trustee on line 3 as: "Allen Snow, Trustee." On MI-1041, line 25, enter the amount from MI-1040, line 34. If applicable, enter on MI-1041, line 28 the amount from MI-1040, line 37. Copies of the U.S. 1040, 1041 and all supporting schedules must be attached to your Michigan return.

## LINE - BY - LINE INSTRUCTIONS

Because Michigan's fiduciary law is very similar to federal law, these instructions include only those points of Michigan law and procedures that differ from federal laws and procedures. If a federal short-year return must be filed, a Michigan short-year return must also be filed. Before starting the *Michigan Fiduciary Income Tax Return* (MI-1041), complete the U.S. 1041 and all supporting schedules.

All estates and trusts must complete page 1. Resident estate and trust filers must complete Schedule 1 if there are adjustments. Complete Schedule 2 if income is distributed. Schedule 3 must be completed if income is distributed and there are adjustments on Schedule 1. If the resident estate or trust distributed a capital gain, filers must also complete Schedule 5 and form MI-1041D. See "Capital gains/losses" on page 2. Nonresident estates or trusts must complete Schedule 2, if any income is distributed; Schedule 4; and if the estate or trust distributed any capital gains or losses, Schedule 5 and form MI-1041D. Nonresident estate or trust filers may

omit lines 8 through 11 on page 1, Schedules 1 and 3.

Attach a copy of the U.S. 1041 and all supporting schedules to the Michigan return.

*Line numbers not listed are explained on the form.*

### PART 1 — Identification

**Lines 1 - 7:** Complete all items. Enter a mailing address that Treasury can use to request more information or to issue a refund.

### PART 2 — Income and Adjustments

**Line 8:** Enter taxable income of the estate or trust from U.S. 1041, page 1, line 22.

**Line 8a:** Enter federal taxable income of Electing Small Business Trusts (ESBT) from the Sec. 641(d) worksheet attached to your U.S. 1041.

**Line 9:** Fiduciaries for resident estates or trusts should complete Schedule 1 if there are Michigan adjustments to federal taxable income. If no income was distributed, enter the amount from

line 40 on line 9. If any income was distributed complete Schedules 2 and 3.

### Line 11: Capital Gain/Loss Adjustment for Resident Estates or Trusts.

Enter the amount from form MI-1041D, line 22, if any (see "Capital gains/losses" on page 2).

### PART 3 — Credits and Payments

**Line 14: City Income Tax Credit.** All estates and trusts subject to Michigan income tax are allowed a *partial* credit for income tax paid to Michigan cities. Use Table 1 (page 4) to compute the credit based on the net city income tax paid in 1998.

**Line 14a:** Enter the city income tax paid to Michigan cities.

**Line 14b:** Enter the city income tax credit computed on the worksheet in Table 1.

**Note:** For a resident estate or trust, the amounts used to calculate the credits under this section (lines 15, 16 and 17) shall not have been deducted in arriving at federal taxable income.



**Line 15: Public Contribution**

**Credit.** A partial income tax credit is allowed for donations to the Michigan public institutions listed below. Deductions taken on the federal return are not allowed unless they fall into one of the listed categories. Credit is based on cash donated or the value of the items donated. Values claimed must be supported by written appraisals, trade journals, etc. or an itemized receipt.

Gifts qualify for credit if given to:

- Michigan colleges or universities and their fund-raising organizations;
- the Michigan Colleges Foundation;
- the State Art in Public Places Fund;
- the State of Michigan museum;
- Michigan public libraries;
- Michigan public broadcasting stations;
- a Michigan municipality or a nonprofit corporation affiliated with a Michigan municipality and an art institute in that municipality to benefit the art institute (art institutes are those whose primary function is to display and teach visual arts);
- the State of Michigan for the preservation of state archives.

Artwork created by the taxpayer also qualifies for credit if given to the State of Michigan or a Michigan municipality for display in a public place.

Artwork is an original visual creation of quality in any size or shape, in any media, using any materials. Its fair market value must be determined by an independent appraiser when donated.

**Line 15a:** Enter the total amount of public contributions.

**Line 15b:** Enter the allowable credit, which is the **smallest** of:

- 50 percent of line 15a
- 10 percent of line 13, or
- \$5,000.

**Line 16: Community Foundations**

**Credit.** A partial income tax credit is allowed when donations are made to an endowment fund of one of the certified community foundations or component funds listed on page 8. Enter the founda-

**TABLE 1: CITY INCOME TAX CREDIT WORKSHEET****To Determine Net City Income Tax****Add:**

- City income tax withheld from wages in 1998 (as shown in box 21 on your W-2s)..... .00
  - amount of tax paid with a Michigan city income tax return filed in 1998 (do not include penalty and interest)..... + .00
  - Estimated city income tax payments paid in 1998..... + .00
- Subtotal ..... .00

**Subtract:**

- Any city income tax refunds received in 1998..... - .00
- Total net city income tax paid. Carry to line 14a** ..... = .00

**To Determine Your City Income Tax Credit**

**If your Total Net City Income Tax Paid (MI-1041, line 14a) is :**

\$100 or less	\$101 through \$150	\$151 or more
Net city income tax paid ..... .00	Net city income tax paid ..... .00	Net city income tax paid ..... .00
Multiply ..... x .20		
CREDIT. Carry to line 14b ..... .00	Subtract ..... - \$100.00	Subtract ..... - \$150.00
	..... .00	..... .00
	Multiply ..... x .10	Multiply ..... x .05
	..... .00	..... .00
	Add ..... + 20.00	Add ..... + 25.00
	CREDIT. Carry to line 14b ..... .00	CREDIT. Carry to line 14b ..... .00

Round all amounts to the nearest dollar.

**Credit cannot be more than \$10,000.00**

tion code in the box on line 16. You must enter the proper code to receive credit.

**Line 16a:** Enter the total amount of the contribution.

**Line 16b:** Enter the allowable credit, which is the **smallest** of:

- 50 percent of line 16a
- 10 percent of line 13, or
- \$5,000.

**Line 17: Homeless Shelter/Food Bank**

**Credit.** A partial income tax credit is allowed when a **cash donation** is made to a qualifying shelter for homeless persons, a food bank, a food kitchen, or other entity whose **primary** purpose is to provide overnight accommodation, food, or meals to indigent persons. Donations to organizations such as secondhand stores and churches, which provide other services or shelter and food as a secondary purpose do not qualify for this credit.

Contributions qualifying for this credit must be all of the following:

- cash
- made to organizations located in Michigan whose **primary** purpose is to provide food and shelter to indigent persons; and

- deductible as a charitable contribution under the IRC.

**Line 17a:** Enter the total amount of qualifying cash contributions.

**Line 17b:** Enter the allowable credit, which is the **smallest** of:

- 50 percent of line 17a
- 10 percent of line 13, or
- \$5,000.

**Note: Treasury may request receipts for any credit claimed on lines 15, 16, and 17. If Treasury requests receipts, cancelled checks may not be sufficient documentation.**

**Line 18: Credit for Income Tax Imposed by Government Units**

**Outside Michigan.** Include on this line the amount of income tax paid to:

- a nonreciprocal state.
- a local government unit outside Michigan, including tax paid to local units located in reciprocal states.
- the District of Columbia.
- a Canadian province.

Include only income tax paid to another state on income earned by a resident estate or trust and taxed by Michigan.

Attach a copy of the return filed with the other government unit to the MI-1041.



Do not include taxes paid on income subtracted on lines 35 - 38 of the MI-1041 (e.g., rental or business income from another state, part-year resident wages, etc.). If credit is claimed for a Canadian provincial tax, file a *Resident Credit for Tax Imposed by a Canadian Province* (form C-4402RC). Attach copies of the appropriate Canadian federal T-3 fiduciary tax return, *Computation of Foreign Tax Credit* (U.S. 1116) and U.S. 1041. The credit is limited to the part of the Canadian provincial tax not used as a credit on the U.S. 1041.

**Line 18a:** Enter the total income tax paid to other government units. Attach a schedule if tax was paid to more than one source.

**Line 18b:** Figure the maximum allowable credits this way:

- Divide out-of-state income subject to tax by both states by total income subject to Michigan tax.
- Multiply the amount of tax shown on line 13 by the result.

Enter the allowable credit, which is the smaller of:

- the above calculation, or
- the tax imposed by another government.

**Line 22: Payments.** Enter the total estimated tax paid with the 1998 *Michigan Estimated Income Tax for Fiduciaries* (form MI-1041ES) and any Michigan tax paid with an extension request. See the **special note** after line 25 instructions.

**NOTE:** Michigan does not allow the estate's or trust's estimate payments to be transferred to beneficiaries.

**Line 23:** Enter the amount of the 1997 overpayment applied to this year's tax from 1997 MI-1041, line 27.

## PART 4 — Balance Due or Refund

**Line 25: Tax Due.** If line 24 is less than line 20, enter the difference. This is the tax owed with the return. If penalty and interest are due for filing late, enter these amounts on the appropriate lines. See "Penalty and Interest" on page 2 for penalty and interest rates. Add penalty and interest to the tax due and enter the total. If the estate or trust owes more than \$500 and is required to file estimates, see the following **special note**.

If the balance due is less than \$1.00, no payment is required. But the return must still be filed.

**Special note for estates and trusts required to file estimates:** Penalty and interest may be due for underpayment, late payment or failing to pay estimates. Use the *Underpayment of Estimated Income Tax* (form MI-2210) to compute interest. If form MI-2210 is filed, check the box on line 25 and enter the interest amount on the line provided. For complete instructions, request form MI-2210 by calling 1-800-FORM-2-ME (367-6263).

**Line 28: Refund.** Subtract line 27 from line 26. This is the refund. The state does not refund amounts less than \$1.00.

## SCHEDULE 1 – Net Michigan Adjustments for Resident Estates or Trusts

### Additions

**Line 29:** Enter gross interest and dividend income from obligations or securities of states and their political subdivisions other than Michigan. Include interest income from partnerships, S corporations, and other estates and trusts.

**Line 30:** Enter taxes deducted on U.S. 1041, line 11 which were imposed on or measured by income, such as state or city income taxes.

**Line 32:** Enter expenses and interest incurred in production of income from obligations of the U.S. government on U.S. 1041. Enter on this line any interest expense on indebtedness incurred in carrying the obligations and any related expenses that were deducted in arriving at federal taxable income.

**Line 33:** Enter any adjustments not taken into account in lines 29 - 32. Attach a schedule showing these items and their locations. **Losses from a business partnership or property located in another state must be added back on this line.**

### Subtractions

**Line 35:** Enter the income from U.S. government obligations (example: U.S. Series E Bonds). This income may be subtracted even if it comes through a partnership, S corporation or another estate or trust. Attach a schedule showing the source of your income from

U.S. obligations (Treasury Bonds, Series E bonds, etc.), and the amount of income from each source.

**Line 36:** Enter income attributed to another state. Explain the type and source of income. Attach a schedule if necessary.

Following are examples of income attributed to another state:

- Net rents and royalties from real and personal property located or used in other states.
- Business income included in taxable income that was earned solely in other states. (Losses from an activity in another state that have reduced federal taxable income must be entered as a positive figure on line 33.)

Business income from an activity that is taxable both within and out of Michigan must be apportioned among the states involved. Complete and attach a *Schedule of Apportionment* (form MI-1040H). Salaries, wages and other compensation for personal services are not business income.

**NOTE:** Capital gains from the sale of real or personal property located in other states at the time of disposal are adjusted on the MI-1041D and factored into line 11.

Estates cannot subtract salaries and wages earned by the decedent in another state. However, the estate may be entitled to a tax credit for tax imposed by another state. See line 18 instructions on page 4.

**Line 37:** Enter expenses related to obligations of other states not deducted on U.S. 1041 or not allowed as a deduction by IRC Section 265. Also enter interest expense on indebtedness incurred in carrying the obligations and related expenses that were not used on the U.S. 1041.

**Line 38:** Enter subtractions not taken into account on lines 35 - 37. Attach a schedule listing these subtractions.

Retirement or pension benefits may not be subtracted.

**Line 40:** Subtract line 39 from line 34. If no income was distributed, enter the amount from line 40 on page 1, Part 2, line 9.

## SCHEDULE 2 – Name, Address and Social Security Number of Each Beneficiary (Resident or Nonresident)

**NOTE:** Schedule 2 must be completed if any income is distributed. Otherwise, it is not necessary.

**Line 41:** Enter in the appropriate column the name, address and Social Security number of each beneficiary of the estate or trust, both residents and nonresidents. Identify residents with an "R" and nonresidents with "NR". When completing the rest of this form, use the lower case letter (a, b, c, etc.) to the left of each name to refer to a beneficiary listed in Schedule 2. If additional space is needed, attach a schedule similar to Schedule 2 identifying additional beneficiaries by consecutive letters.

### Signatures and Declarations

The fiduciary or the officer representing the fiduciary must sign the return. Before mailing the return, remember to check the following.

- Are all items complete and all figures correct?
- Was a 1998 MI-1041 form used? Returns filed on old forms will be rejected.
- Is a 1998 U.S. 1041 attached?
- Are estimated tax payments required for 1999?

Mail the return to:

**Michigan Department of Treasury  
Lansing, MI 48922**

**NOTE:** Do not send one check for multiple returns. Each return must have its own check. Make all checks payable to the "State of Michigan." Write the estate's or trust's federal identification number and "1998 MI-1041" on the front of the check.

## SCHEDULE 3 – Beneficiaries' and Fiduciary's Share of Net Michigan Adjustments for Resident Estates and Trusts

If any income is distributed, the net Michigan adjustments for resident estates and trusts from MI-1041, line 40 must be allocated to the beneficiaries and the fiduciary in the following way.

- In the proportion that each beneficiary's share of federal

## Example for Completing Schedule 3

**Note:** For this example, the fiduciary has reported \$5,000 on Schedule 1, line 40.

Column A  Beneficiary Identification from Schedule 2	Column B U.S. Distributable Net Income		Column C  Percent of Column B	Column D Allocation of Net Mich. Adj. (Multiply amount on line 40 by % in column C.)
	Type of Income (Div., Int., Rent, Etc.; Location of Property, Etc.)	Amount		
42. Beneficiaries.				
(a)	Interest, Div., & Rent, MI	\$2,420	9.4642%	\$473.00
(b)	Interest, Div., & Rent, MI	20,550	80.36762%	4,018.00
(c)	Interest, Div., & Rent, MI	600	2.346410%	117.00
( )				
( )				
43. Fiduciary's Share		2,000	7.82166%	391.00
44. Total		\$25,570	100%	\$5,000.00

distributable net income bears to the total federal distributable net income with the remaining portion going to the fiduciary.

If the estate or trust has no distributable net income for the taxable year, net Michigan adjustments will be allocated in the following way.

- In the proportion that each beneficiary's share of the distributed estate or trust income for the year bears to the total estate or trust income with the remaining portion going to the fiduciary. (Distributed income includes amounts required to be distributed currently under local law or the terms of the estate or trust instrument, and any other amounts distributed.)

Use Schedule 3 to compute this allocation. See example above. These percentages may not be the same as the distribution percentages listed in the estate or trust instrument.

**Line 42-44:** Complete columns A, B, C and D one column at a time.

**Column A:** Identify each beneficiary by entering the lower case letter from Schedule 2.

**Column B:** Enter the distributions reported to each beneficiary on his or her U.S. *Schedule K-1* in spaces provided on line 42. Indicate the sources, locations and amounts for each

type of income such as dividends, rents, interest, etc. Enter the fiduciary's share on line 43. The total on line 44, should equal the distributable net income, reported on U.S. 1041, Schedule B, line 9.

**Column C:** Divide each amount in column B by the total on line 44 and enter the percent in column C.

**Column D:** Multiply the amount on Schedule 1, line 40, by the percentage in column C. Enter the results in column D for each beneficiary and the fiduciary. Carry the fiduciary's share (line 43) to Part 2, line 9. The total on line 44 must equal the amount on Schedule 1, line 40.

## SCHEDULE 4– Computation of Michigan Taxable Income for a Nonresident Estate or Trust

**Income Allocation.** Use this section to compute the income attributable to Michigan for nonresident estates and trusts. Income, deductions and computations on lines 45 - 66 are comparable to lines 1 - 22 on the U.S. 1041. In column A enter the corresponding amounts from the U.S. 1041. In column B enter Michigan's portion of the income. In column C enter the non-Michigan portion. See special instructions for lines 48 and 51 on page 7.

The following income is subject to Michigan tax and should be entered in column B on lines 45 - 52:

- income earned, received or acquired in Michigan
- income from personal services performed in Michigan
- income from real or tangible personal property located in Michigan
- income from a business, trade, profession or occupation conducted in Michigan. If the business activity is in Michigan and in another state, complete and attach a *Schedule of Apportionment* (form MI-1040H) to apportion this income.

The following income is **not** subject to Michigan tax and should be entered in column C on lines 45 - 52:

- income from annuities
- interest income
- dividends
- income from a business, trade, profession or occupation not conducted in Michigan.

**Line 48:** Complete form MI-1041D before completing this line. If a gain, enter in column A the amount from the MI-1041D line 16, column B, federal

portion. Enter in column B the amount from the MI-1041D line 16, column B, Michigan portion. Enter the difference in column C. If a loss, see line 17, Part 4 of the completed MI-1041D.

**Line 51:** Complete form MI-4797 before completing line 51, if the gain/loss on the U.S. 4797 is from the sale of business property located in Michigan and the Michigan property was acquired prior to October 1, 1967. Otherwise, enter Michigan's portion in column B and the non-Michigan portion in column C.

**Line 69:** Combine lines 66 through 68. Use brackets for negative figures. Do not enter "0" for amounts less than zero.

**Line 71:** Enter taxes deducted on U.S. 1041, line 11 which were imposed on Michigan income, such as state or city income taxes.

**Line 73:** Enter the fiduciary's share of **Michigan** gain/loss from MI-1041D, if any. If a capital gain, enter the amount from MI-1041D, line 16, column B, Michigan column. If a capital loss, enter the amount from MI-1041D, line 17, Michigan column.

**Line 74:** Combine lines 72 and 73. Carry this amount to MI-1041, page 1, Part 2, line 12.

## SCHEDULE 5 - Capital Gain/ Loss Distributed to Beneficiaries When Form MI-1041D Is Filed

**Line 75:** Complete Schedule 5 if capital gains/losses have been distributed to beneficiaries and form MI-1041D was completed.

**Column A:** Identify each beneficiary by entering the lower case letter from Schedule 2.

**Column B:** (U.S.) Enter each beneficiaries' share of capital gain/loss as reported on U.S. *Schedule K-1* (form 1041).

**Column C:** (Michigan) Enter each beneficiaries' share of capital gain/loss as recomputed on Michigan MI-1041D.

**Line 76:** Enter the total of all beneficiaries' shares. Line 76 (totals) in the federal and Michigan column must equal the beneficiaries' amounts reported on U.S. *Schedule D* (form 1041) Part III, line 16, column (a) or Michigan form MI-1041D, Part 3, line 16, column C.

## OTHER NECESSARY FORMS

### For the fiduciary

The fiduciary must furnish a U.S. *Schedule K-1* to each beneficiary. The fiduciary must also furnish notice of Michigan adjustments to each beneficiary. The notice may be noted on a copy of the U.S. *Schedule K-1* or a separate letter to each beneficiary. If a letter is used, it must include the name and federal identification number of the estate or trust. Each beneficiary must be advised of his or her share of the following:

- Michigan adjustments from resident estates or trusts.
- Michigan income from nonresident estates or trusts.
- Capital gains/losses available for adjustment under Section 271.
- Any intangibles tax due.

The fiduciary may be required to file a *Michigan Intangibles Tax Fiduciary Return* (form C-6608), if an estate or trust has income from intangible property such as stocks, bonds, or land contracts that is not part of business income as defined under the *Single Business Tax Act*.

### For the beneficiary

All resident and nonresident beneficiaries should file an individual *Michigan Income Tax Return* (form MI-1040), if applicable. See the MI-1040 instruction booklet for who must file. Beneficiaries should follow the instruction booklet to compute Michigan taxable income.

Beneficiaries should attach copies of the following items to their

MI-1040 individual return:

- U.S. *Schedule K-1*.
- The letter received from the fiduciary notifying him or her of Michigan adjustments or Michigan income.
- MI-1040D, if the beneficiary is eligible to adjust gains and losses under Section 271.

Beneficiaries should file a *Michigan Intangibles Tax Return* (form C-6606), if the fiduciary notifies the beneficiary of intangibles tax due.

**NOTE:** Excess deductions available upon termination of an estate or trust may be passed on to the beneficiaries. They are reported on U.S. 1040, *Schedule A* and do not reduce federal adjusted gross income.

## Certified Community Foundations and Component Funds

A component fund serves donors and nonprofit organizations in a specific geographic area as a restricted fund of a neighboring community foundation. The following are certified for the Community Foundations Credit for 1998.

01 Albion Civic Foundation	09 Comm. Foundation for Southeastern MI Comm. Foundation for Livingston Co. Bedford Community Foundation	22 Kalamazoo Foundation
51 Alger Regional Community Foundation		23 Leelanau Township Foundation, Inc.
56 Allegan Foundation		55 Livonia Community Foundation
63 Anchor Bay Foundation	35 Community Foundation of St. Clair County	38 Ludington Area Foundation
02 Ann Arbor Area Community Foundation	50 Dickinson Co. Area Comm. Foundation	25 M & M Community Foundation
49 Baraga County Community Foundation	Norway Area Community Fund	65 Mackinac Island Community Foundation
58 Barry County Community Foundation	59 Eastern U.P. Community Foundation	24 Manistee County Foundation, Inc.
17 Battle Creek Community Foundation	13 Four County Foundation	39 Marquette Community Foundation
Athens Community Foundation	14 Fremont Area Foundation	Ishpeming Community Fund
Homer Area Community Foundation	Big Rapids Area Community Foundation	Negaunee Community Fund
03 Bay Area Community Foundation	Lake County Community Foundation	26 Marshall Community Foundation
04 Berrien Community Foundation, Inc.	Osceola Community Foundation	05 Michigan Gateway Community Foundation
45 Branch County Community Foundation	15 Grand Haven Area Community Foundation	27 Midland Foundation
Colon Foundation Fund	Coopersville Area Foundation	42 Mt. Pleasant Area Community Foundation
36 Cadillac Area Community Foundation	16 Grand Rapids Foundation	68 Northville Township Community Foundation
64 Canton Community Foundation	Hudsonville Community Foundation	52 Ontonagon County Community Foundation
06 Capital Region Community Foundation	Ionia County Community Foundation	47 Petoskey-Harbor Springs Area Community Foundation
Eaton County Community Fund	Wyoming Community Foundation	30 Saginaw Community Foundation
44 Charlevoix County Community Foundation	46 Grand Traverse Regional Community Foundation	61 Sanilac County Community Foundation
41 Community Foundation for Delta Co., MI	Otsego County Community Foundation	53 Schoolcraft County Community Foundation
10 Community Foundation of Greater Flint	48 Gratiot County Community Foundation	31 Shiawassee Foundation
Clio Fund	18 Greater Frankenmuth Area Community Foundation	57 Southfield Foundation
Fenton Fund	19 Greater Rochester Area Community Foundation	40 Sturgis Foundation
Grand Blanc Fund	37 Greenville Area Foundation	62 Tecumseh Community Fund Foundation
20 Comm. Foundation for the Holland/Zeeland Area	43 Hillsdale County Community Foundation	32 Three Rivers Area Foundation, Inc.
11 Community Foundation of Monroe County	60 Huron County Community Foundation	54 Upper Peninsula Community Foundation
28 Comm. Foundation for Muskegon County	21 Jackson Community Foundation	Forest Park Area Community Fund
Oceana County Community Foundation		Greater Keweenaw Community Fund
29 Comm. Foundation Northeast Mich., Inc.		Sault Ste. Marie Area Community Fund
		St. Ignace Area Community Fund

## Treasury Field Offices

Treasury field offices no longer prepare tax returns. If you need help, please call the main office in Lansing.

### Main Office:

LANSING, 48922  
Treasury Building  
430 W. Allegan St.  
1-800-827-4000 (refunds)  
1-800-487-7000 (information)

**Deaf, hearing or speech impaired  
persons** call 517-373-9419 (TTY).

### Other Offices:

**DETROIT**, 48226  
State of Michigan Plaza Building  
1200 6th St., 2nd Floor, N. Tower

**ESCANABA**, 49829  
State Office Building, Room 7  
305 Ludington St.  
(open 8 - 12 only)

**FLINT**, 48502  
State Office Building, 7th Floor  
125 E. Union St.  
(closed 12 - 1)

**GRAND RAPIDS**, 49503  
State Office Building, 3rd Floor  
350 Ottawa St., NW

**KALAMAZOO**, 49005-0286  
535 S. Burdick St., Ste. 197  
(closed 12 - 1)

**PONTIAC**, 48342  
100 N. Saginaw St., Upper Level

**SAGINAW**, 48607  
State Office Building, 4th Floor  
411-I E. Genesee St.  
(open 8 - 12 only)

**TRAVERSE CITY**, 49684  
701 S. Elmwood Ave., Box 14  
(open 8 - 12 only)

